

## A STUDY ON IMPACT OF MAKE IN INDIA ON EMPLOYMENT, G.D.P GROWTH AND EODB INDEX

**Dr.T.THEGALEESAN, Ph.d**

Department of Economics  
Annamalai University  
Deputed to Tamilnadu Collegiate Service  
Tamilnadu (South India)

### ABSTRACT

*The make in India scheme is launched to boost the domestic manufacturing sector and also increase the foreign direct investment in to the country especially to revive the lagging manufacturing sector and spur the growth of the Indian economy. Firstly, this study examined the employment opportunities trend in agriculture, manufacturing and service sectors before and after the scheme secondly, whether the employment in manufacturing and service sector has been absorbed from agriculture sector and whether the Scheme has triggered the G.D.P finally, found the role of EoDB on F.D.I. Results:- the make in India gives a positive impact in employment and a negative impact on G.D.P growth and the agriculture employment are in declining trend and being transferred to industrial and service sector has been found in this analysis. Further, In India, the EoDB has much positive impact on F.D.I. Before this scheme the F.D.I was highly volatile and after the inception of this scheme with EoDB index it clutched F.D.I from volatile and paved towards growth except year 2017-18.*

*Keywords: - Make In India, Agriculture, industry, manufacturing and service sectors, Ease of doing Business (E.o.D.B) index, Gross Domestic Products (G.D.P) Foreign Direct Investment (F.D.I) Growth rate, Compounded Annual Growth Rate (CAGR), MEAN Value.*

### Introduction

The honourable Indian Prime Minister **Narendra Modi** launched mega scheme called Make in India on 25-09-2014 with ultimate goal of making India as a global manufacturing hub by combining both foreign and indigenous companies to manufacture their products in India. This is a kind of policy of Swadeshi movement which covers 25 production sectors. This is a major national programme of the Indian Government designed to facilitate investment, adopting innovation, enhance skill development, and protect intellectual property and to build best class manufacturing in the country. India's total financial allotment for this scheme is ₹16.40 lakh crore out of which during 2014 and 2016 it spent ₹1.5 lakh crore As a result this amount, India' stance rose to top one in global level for foreign direct investment (FDI) in 2015 and being surpassed USA and China. To impetus this scheme, the

FDI policy of India also liberated to 100% investment in all 100 sectors, except few such as: Space industry, defence industry, and Media of India.

### **Background of the scheme (Make in India)**

Indian Make in India scheme is loggerheads with the scheme of Make in China. The country China is a major competitor to India when it comes to do the outsourcing, manufacturing, and services business. The scenario of infrastructure ailing and the defunct in logistics facilities of India make it difficult to achieve an elite status as a manufacturing hub. The bureaucratic approach of former governments, lack of robust transport networks, and widespread corruption makes it difficult for manufacturers to achieve adequate production in time. The Modi-government has stepped up and vowed to remove these hurdles and make the nation an ideal destination for investors to set up industries.

### **Make in India covering 25 Sectors**

Automobiles	Food Processing	Renewable Energy
Automobile Components	IT and BPM	Roads and highways
Aviation	Leather	Space
Biotechnology	Media and Entertainment	Textiles and garments
Chemicals	Mining	Thermal Power
Construction	Oil and Gas	Tourism and Hospitality
Defence manufacturing	Pharmaceuticals	Wellness
Electrical Machinery	Ports	
Electronic Systems	Railways	

Source: Computed and [www.makeinindia.com](http://www.makeinindia.com)

The scheme Make in India focuses majority of 25 sectors. There is specialised website which furnished all its relevant details and related aided government schemes, including the FDI policies, IPR policy etc.

### **State's Role**

Individual states have adopted the Make in India scheme in their own local initiatives such as in Odisha "Make in Odisha", in tamilnadu "Tamil Nadu Global Investors Meet", in Gujarat "Vibrant Gujarat, Haryana calls "Happening Haryana" and in Maharastra "Magnetic Maharashtra".

**Objectives of the scheme (Make in India)**

- To increase the manufacturing sector's growth from 12% to 14% per annum
- To create 10 crore additional jobs in manufacturing sector economy by 2022
- To get 25% share in GDP from 16% by manufacturing sector in 2025 (projected year)

**Make in India – Advantages**

The Make in India has believed to be boosted for several positive developments of manufacturing sector in the country. Below are some more benefits that have been derived from this mission.

- Generating employment opportunities
- Increasing the GDP
- Attracting more FDI to strengthen the rupees value, bringing latest technologies in various field, thrust the Small manufacturers,
- To get higher rank easy of doing Business (EoDB) index.
- To attain development in rural area by deploying manufacturing centres and factories

**OBJECTIVES OF THIS STUDY**

- To examine whether the employment opportunities in manufacturing and service sectors has increased before and after the scheme.
- To examine whether the employment in manufacturing and service sector has been absorbed from agriculture sector
- To study whether the Scheme has triggered the G.D.P
- To find out the role of EoDB on F.D.I

**LIMITATIONS**

- This study analyse only the role of the Make in India in giving employment opportunities manufacturing and service sectors and it does not focus on the different advantages of the scheme.
- This study does not dealt with the merits and demerits of the scheme rather it study only the content to substantiate the objectives
- It excludes the 2020 data due to the hindrance of Covid-19.

## METHODOLOGY

It is both descriptive and analytical study. An inductive description is given for appraisal of this scheme. For easy understanding, the simple percentages are worked out to identify the implication of the scheme, and the figures are computed with growth rate. The tabulations and charts are used for easy understanding. This research focuses the data which comprises before and after implementation the scheme hence, few literatures, recent results and the secondary data are collected from both private, Government and the World Bank

## STATISTICAL TOOLS

A simple percentages, growth rate and Compounded Annual Growth Rate (CAGR) have been calculated to find out the progress of the scheme. To do the easy comparison of the effects of the scheme the data pertaining to the periods of before and after the inception of the scheme has been taken. The secondary data is used. Some dedicated online monitoring systems of the central government's quantitative information have been taken. Simple percentages and tabulations have been framed for both observation and explanations.

## DISCUSSION AND RESULT

**TABLE.1 GROWTH RATE OF TOTAL EMPLOYMENT BEFORE AND AFTER MAKE IN INDIA SCHEME**

<b>Employment Year-wise</b>	<b>Total Employment (%)</b>	<b>Growth rate</b>
<b>2008</b>	52.6	0
<b>2009</b>	51.7	-1.77157
<b>2010</b>	50.9	-1.52597
<b>2011</b>	50.1	-1.75838
<b>2012</b>	49.2	-1.74231
<b>2013</b>	48.7	-0.92429
<b>2014</b>	48.3	-0.83488
<b>2015</b>	<b>47.9</b>	<b>-0.85242</b>
<b>2016</b>	<b>47.5</b>	<b>-0.87247</b>
<b>2017</b>	<b>47.1</b>	<b>-0.8267</b>
<b>2018</b>	<b>46.7</b>	<b>-0.83358</b>
<b>2019</b>	<b>46.6</b>	<b>-0.28508</b>

*Source: <https://data.worldbank.org> (last updated 28-05-2020) International Labour Organization, ILOSTAT database. Data retrieved in March 1, 2020.*

The table.1 clearly shows that the year-wise employment rate to total employment before and after the implementation of Make in India. The 2015 is the exact year from which Make in India effect came in to effect. The years 2008 to 2014 considers the before the Make in India period and 2015-2019 considers after the periods of Make in India. The growth rate shows a sharp continuous decline in both the periods hence may be called it as declining growth rate. But after 2015 its rate of decline is much lower. Even though, the high declining or low declining persists in both the period, the verification of inter sectors employment generation rate is needed in this study i.e. whether any one sector among three has been boosted-up in employment. There are three sectors in every economy which providing employment opportunities and also it concomitant in the world. Viz. Agriculture, Industry which includes manufacturing, and the service sector.

**TABLE.2 YEAR-WISE DEVELOPMENT OF DIFFERENT SECTOR'S EMPLOYMENT BEFORE AND AFTER MAKE IN INDIA SCHEME**

Year-Wise Developments	Employment (% of total employment)			G.D.P (Growth rate )	F.D.I (in US.\$ billions)	EoDB rank 0= lowest performance 100=best performance
	Agriculture	Industry	Service			
2008-09	52.57	21.44	25.98	3.08	43.406	NA
2009-10	52.44	21.17	26.37	7.86	35.581	NA
2010-11	51.51	21.80	26.67	8.50	27.397	NA
2011-12	48.98	23.49	27.52	5.24	36.499	NA
2012-13	47.00	24.35	28.64	5.46	23.996	NA
2013-14	46.35	24.55	29.09	6.38	28.153	NA
2014-15	45.84	24.55	29.60	7.41	34.577	NA
<b>2015-16</b>	<b>45.67</b>	<b>24.05</b>	<b>30.26</b>	<b>7.99</b>	<b>44.009</b>	<b>54.52</b>
<b>2016-17</b>	<b>45.14</b>	<b>23.98</b>	<b>30.87</b>	<b>8.17</b>	<b>44.459</b>	<b>55.94</b>
<b>2017-18</b>	<b>44.05</b>	<b>24.69</b>	<b>31.24</b>	<b>7.16</b>	<b>39.996</b>	<b>60.90</b>
<b>2018-19</b>	<b>43.32</b>	<b>24.94</b>	<b>31.72</b>	<b>6.81</b>	<b>42.197</b>	<b>67.50</b>
<b>2019-20</b>	<b>42.38</b>	<b>25.57</b>	<b>32.03</b>	<b>6.20</b>	<b>50.605</b>	<b>71.04</b>
$\bar{x}$ overall	<b>47.10</b>	<b>23.71</b>	<b>29.16</b>	<b>6.68</b>	<b>37.57</b>	-
$\bar{x}$ Before make in India	<b>49.24</b>	<b>23.05</b>	<b>27.69</b>	<b>6.27</b>	<b>32.80</b>	-
$\bar{x}$ After make in India	<b>44.11</b>	<b>24.64</b>	<b>31.22</b>	<b>7.266</b>	<b>44.25</b>	-

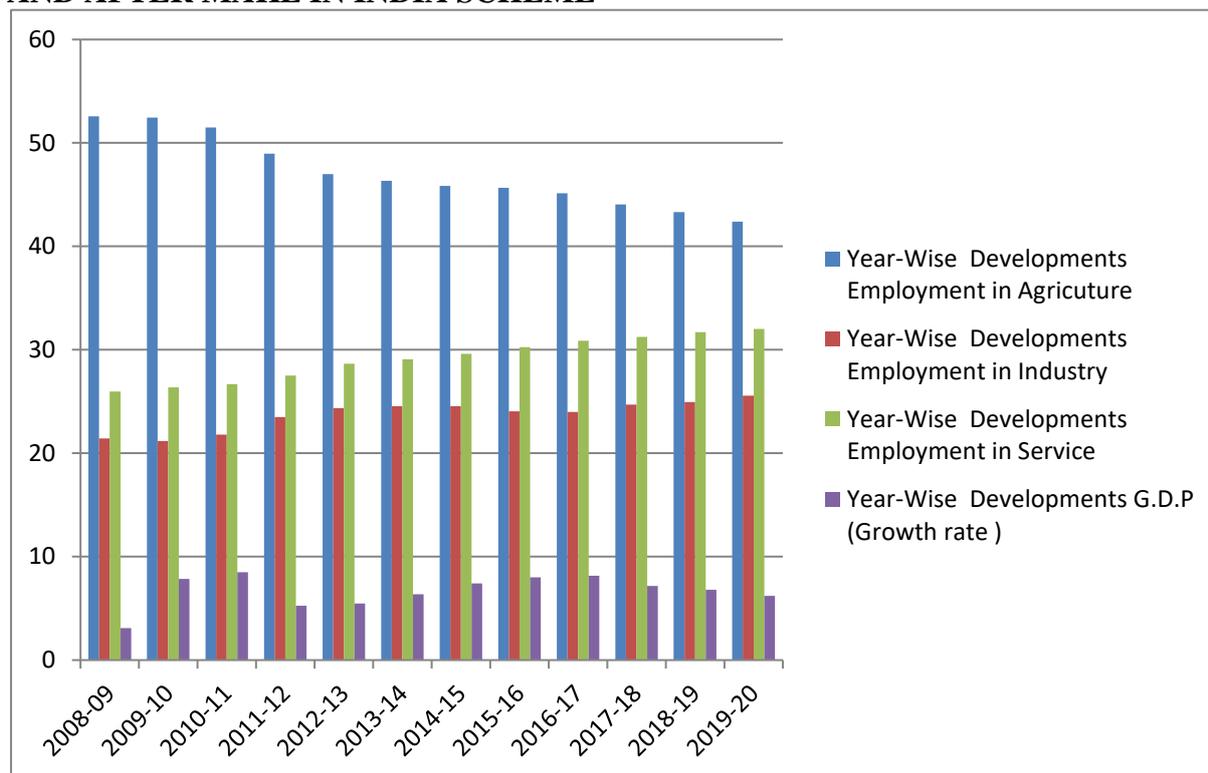
Source:<https://data.worldbank.org>

NA= Not available

EoDB=Ease of Doing Business

\*On 17 April 2020, due to COVID-19 India amended its foreign direct investment (FDI) policy to protect Indian companies from opportunistic takeovers/acquisitions by foreign companies

Above the table shows that a sector-wise employment rate to the total employment rate has been calculated along with corresponding sector's growth rate of employment from 2008 to 2019. Totally 12 years taken in which 7 years are before the Make in India and remaining 5 years are after the Make in India. In first, the actual percentages in agricultural sector has sharp decline which values from 52.57 to 42.38% almost the sector lost 10% employment opportunities in last one decade. It shows that there is much positive impact by Make in India that is, before the scheme the employment opportunities was reduced by 5% and after the scheme the employment opportunities was reduced to just 2.5%. It evidently shows that there is much positive impact by this Make in India scheme. Secondly, the actual employment percentage in industrial sector has been boosted which valued from 21.44 to 25.57%, almost this sector gained 4% employment opportunities in last one decade. It shows that there is much positive impact by Make in India but before this scheme the employment opportunities was gained by 2% and after the scheme the employment opportunities was raised to just 1.5%. Likewise, thirdly the actual percentage in service sector has been boosted which valued from 25.98 to 32.03%, almost this sector gained 7% employment opportunities in last one decade which implies much positive impact by Make in India but before the scheme the employment opportunities was gained by 4% and after the scheme the employment opportunities was boosted to just 2%. Thus, among the three sectors, the employment opportunities in agricultural has been falling and being shifted to industry and service sectors overall in past one decades is crystal clear but, within these two sectors of both industry and service the impact by make in India gives controversial result viz. Industrial and Service sector's employment opportunities had been rising faster rate before the periods of make in India and rising slower rate since the inception of make in India. To get more precise result the growth rate has been calculated in this study.

**CHART-1 YEAR-WISE DEVELOPMENT OF DIFFERENT SECTORS BEFORE AND AFTER MAKE IN INDIA SCHEME**

Source: Computed

**TABLE.3 COMPOUNDED ANNUAL GROWTH RATE OF DIFFERENT SECTORS BEFORE AND AFTER MAKE IN INDIA SCHEME**

Year-Wise Development	Employment growth Rate Agriculture	Employment Growth in industry	Employment Growth in service	FDI Growth	G.D.P Growth
<b>2008-09</b>	0	0	0	0	0
<b>2009-10</b>	-0.24	-1.27	1.47	-21.99	60.81
<b>2010-11</b>	-1.80	2.88	1.12	-29.87	7.52
<b>2011-12</b>	-5.16	7.19	3.08	24.93	-62.21
<b>2012-13</b>	-4.21	3.53	3.91	-52.10	4.02
<b>2013-14</b>	-1.40	0.81	1.54	14.76	14.42
<b>2014-15</b>	-1.11	0	1.72	18.57	13.90
<b>2015-16</b>	<b>-0.37</b>	<b>-2.07</b>	<b>2.18</b>	<b>21.43</b>	<b>7.25</b>
<b>2016-17</b>	<b>-1.17</b>	<b>-0.29</b>	<b>1.97</b>	<b>1.01</b>	<b>2.20</b>
<b>2017-18</b>	<b>-2.47</b>	<b>2.87</b>	<b>1.18</b>	<b>-11.15</b>	<b>-14.10</b>
<b>2018-19</b>	<b>-1.68</b>	<b>1.00</b>	<b>1.51</b>	<b>5.21</b>	<b>-5.13</b>
<b>2019-20</b>	<b>-2.21</b>	<b>2.46</b>	<b>0.96</b>	<b>16.61</b>	<b>-9.83</b>
<b>CAGR (overall)</b>	<b>-0.93</b>	<b>-0.90</b>	<b>-0.89</b>	<b>-0.90</b>	<b>-0.83</b>

<b>CAGR Before Make in India(2015)</b>	<b>-0.87</b>	<b>-0.83</b>	<b>-0.83</b>	<b>-0.88</b>	<b>-0.65</b>
<b>CAGR After Make in India(2015)</b>	<b>-0.81</b>	<b>-0.78</b>	<b>-0.78</b>	<b>-0.77</b>	<b>-0.84</b>

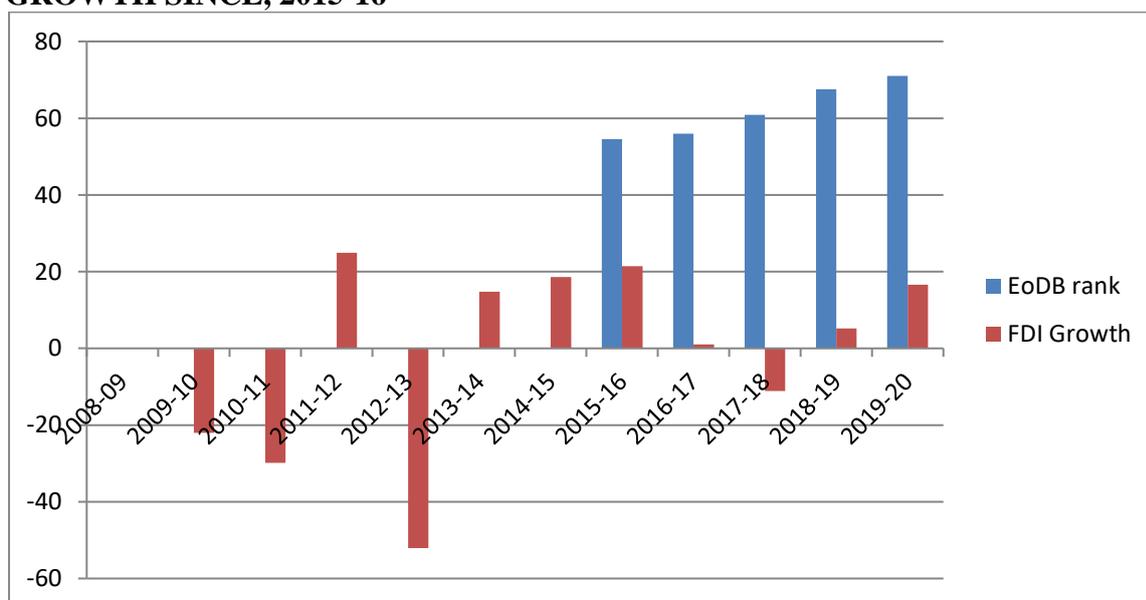
*Source: Computed*

Above the table shows the growth rate and Compounded Annual growth Rate (CAGR) for three sectors including G.D.P and F.D.I. the  $\bar{x}$  value in table.2 reflected in table.3 growth rate. Firstly, the overall Compounded Annual growth Rate (CAGR) of agriculture is -0.93 but before the scheme the rate was -0.87 to -0.93 and after the scheme -0.81 to -0.93 which narrowed the gap by -0.06 before and after evenly which implies that there is no impact by make in India scheme on agriculture employment secondly, the overall CAGR of industry is -0.90 but before the scheme the rate was -0.83 to -0.90 and after the scheme -0.78 to -0.90 which narrowed the gap by -0.07 before and after it narrowed -0.12 which implies that there is much positive impact by make in India scheme in industrial employment thirdly, the overall CAGR of service sector is -0.89 but before the scheme the rate was -0.83 to -0.89 and after the scheme -0.78 to -0.89 which narrowed the gap by -0.06 before and after it narrowed -0.11 which implies that there is much positive impact by make in India scheme in service sector employment. The Growth of G.D.P concerned, the overall CAGR of F.D.I is -0.90 but before the scheme the rate was -0.88 to -0.90 and after the scheme -0.77 to -0.90 which has the gap by -0.02 before and after it has -0.13 gaps. The difference of just 0.02 F.D.I reaped 0.18 G.D.P growth before this scheme and after the scheme 0.13 F.D.I reaped only 0.01 G.D.P growth which literally implies that there is negative impact by F.D.I on G.D.P in make in India scheme in other words, before make in India just 0.02 F.D.I boosted 0.06 employment in agriculture sector, 0.07 in industry, 0.06 in service sectors, and 0.18 growth in G.D.P but after the scheme, the F.D.I boosted by 0.13 which given 0.12 agricultural employment, 0.12 in industry, 0.13 in service sector and almost no growth in G.D.P. Thus, the make in India gives positive impact in employment and negative impact in G.D.P and the agriculture employment are declining and transferred to industry and service sector has been found in this analysis. However, the G.D.P growth rate is rest in other macro-economic variables and this study considered other thing remaining constant and found relationships between the F.D.I and the G.D.P.

**EASE OF DOING BUSINESS (EoDB)**

The easy of doing business index ranks the countries on the basis of *Distance to Frontier (DTF) score that highlights the gap of an economy with respect to the global best practice of business. For example, a score of 75 means how an economy has 25 percentage points away from the frontier constructed from the best practices across all economies and across in specified time period.* This EoDB report is introduced in 2003 to provide an assessment of objective measures of business regulations and their enforcement across 190 countries under ten parameters which affecting a business through its life cycle. The report measures the performance of concerned countries across 10 different parameters namely- initiating the business, getting construction permits, infrastructures like, electricity, land registration process, getting bank and credit facilities, legal protection for investors, keeping canon of tax, trading across the borders, establishment of contracts and enforcement, and resolving insolvency petition issues. The World Bank recently released EoDB report-2020. The indicator measures the performance of countries across 10 different dimensions in the 12-month period ending May 1, 2019. According to the report, New Zealand places and retained first position whereas Somalia ranked at 190 positions. India had placed 63 positions in 2019 out of 190 and earned the improvement of 14 places which placed from 77 ranks in 2018. Now India’s score is improved from 67 in 2019 to 71.0 in 2020.

**CHART-2 YEAR-WISE IMPACT OF EASE OF DOING BUSINESS ON F.D.I GROWTH SINCE, 2015-16**



Source: Computed

Based on the index this study analysed that how the EoDB fillips the F.D.I in Indian economy. The result has been tabulated in table.2 and graphed above in chart.2 since 2015 that, it has much positive impact on F.D.I. Before this scheme the F.D.I was highly volatile and after the scheme it clutched with grip the F.D.I towards growth except 2017-18. *The disturbance of covid-19 directly reflected Indian foreign investment policy and hit the EoDB index in negative sign which definitely will downward the index in upcoming years thereby believed to cause some setback in F.D.I viz., on 17 April 2020, due to COVID-19 India amended its foreign direct investment (FDI) policy to protect Indian companies from opportunistic takeovers/acquisitions by foreign companies*

## CONCLUSION

This make in India scheme is launched to boost the domestic manufacturing sector and also increase the foreign direct investment in to the country especially to revive the lagging manufacturing sector and spur the growth of the Indian economy. This scheme fillips all the businesses firm abroad into investing and manufacturing in Indian economy, by availing the country's 'Ease of Doing Business' index. Precisely say that, the long-term notion of this scheme is to gradually develop the Indian economy into a big international manufacturing hub, and also boost employment opportunities in inside the country. To find out the functionality of this scheme *this research has analysed the following objectives: the trend of employment, G.D.P growth, and effects of EoDB index on fillip of the F.D.I and found the result that the make in India gives a positive impact in employment and a negative impact on G.D.P growth and the agriculture employment are in declining trend and being transferred to industrial and service sector has been found in this analysis.* Futher, how the EoDB fillips the F.D.I in Indian economy, which resulted and tabulated in table.2 and graphed in chart.2 since 2015 year only because before the 2015 the indexing the EoDB was in process in almost all over the world and full-fledged its regulations in 2015 by overcoming many hurdles to make the business in good practice in practical life. In India, it has much positive impact on F.D.I. Before this scheme the F.D.I was highly volatile and after the inception of this scheme it clutched F.D.I from volatile and paved towards growth except 2017-18. *This may become unsure in near future due to the disturbance of covid-19 which directly reflected Indian foreign investment policy and has hit the EoDB index in negative sign which definitely will downward the index in upcoming years thereby believed to cause some setback in F.D.I viz., on 17 April 2020, due to COVID-19 India amended its foreign*

*direct investment (FDI) policy to protect Indian companies from opportunistic takeovers/acquisitions by foreign companies.*

## REFERENCES

<https://byjus.com/free-ias-prep/make-in-india/>

<https://data.worldbank.org/indicator>

<https://data.worldbank.org/indicator/SL.EMP.TOTL.SP.ZS?locations=IN>

[https://en.wikipedia.org/wiki/Ease\\_of\\_doing\\_business\\_index#:~:text=The%20ease%20of%20doing%20business,Oliver%20Hart%20and%20Andrei%20Shleifer.](https://en.wikipedia.org/wiki/Ease_of_doing_business_index#:~:text=The%20ease%20of%20doing%20business,Oliver%20Hart%20and%20Andrei%20Shleifer.)

<https://www.ibef.org/research/newstrends/e-returns-for-ay-2018-19-up-18-65-nirmala-sitharaman>

<https://www.mapsofindia.com/government-of-india/make-in-india.html>

[https://www.rbi.org.in/Scripts/PublicationsView.aspx?id=19334#:~:text=Real%20gross%20domestic%20product%20\(GDP,%2D21%20\(Table%201\).](https://www.rbi.org.in/Scripts/PublicationsView.aspx?id=19334#:~:text=Real%20gross%20domestic%20product%20(GDP,%2D21%20(Table%201).)